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Decision.

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 310—September Term, 1963.

(Argued January 31, 1964 Decided January 31, 1964.)

Docket No. 28572

THE UNITED STATES TIME CORPORATION,
a Connecticut corporation,

Plaintiff-Appellant,

v.

HAMILTON WATCH COMPANY,
a Pennsylvania corporation,

Defendant-Appellee.

Before: LUMBARD, Chief Judge,

WATERMAN and MARSHALL, Circuit Judges.

Appeal from an order of the United States District Court for the District of Connecticut, William H. Timbers, J., which denied the appellant's motion for a preliminary injunction to enjoin appellee's prosecution of an earlier infringement action against appellant's customer.

Affirmed.

Opinion of Court of Appeals.

PER CURIAM:

We affirm in open court the order of the district court. The question for decision is whether the district judge properly exercised his discretion in denying plaintiff's motion for a preliminary injunction to enjoin the defendant from prosecuting in the District of Maryland a suit against a customer of the plaintiff for infringement of certain of the defendant's patents, and from commencing any like action against any other customer of the plaintiff. The Maryland suit had been commenced on April 17, 1963, twelve days before the plaintiff brought this action in the District of Connecticut for a declaratory judgment that the defendant's patents are invalid and are not infringed by the plaintiff's Timex watches.

We hold that under all the circumstances Judge Timbers acted well within his discretion in denying the plaintiff's motion for a preliminary restraining order. His findings of fact are based upon a statement of facts stipulated to by the parties. Plaintiff, a Connecticut corporation, and defendant, a Pennsylvania corporation, are both engaged in the manufacture and sale of electric watches. On January 25, 1961, Hamilton Watch Company advised United States Time Corporation by mail that the electric watch imported by United States Time from Germany infringed several of Hamilton's patents. Meetings held during 1961 and 1962 between representatives of the companies produced no agreement.

On April 17, 1963, Hamilton commenced an action against The Read Drug and Chemical Company in the District of Maryland, charging infringement of Hamilton's patents by virtue of Read's sales of the Timex watch. Read's operates a chain of retail stores in the Baltimore area and is one of the largest retailers of Timex watches in that area. Hamilton states that it chose to sue Read's "in order to

have an action against a financially substantial retailer in the convenient Baltimore forum." Hamilton also states that it was aware that United States Time could intervene and take over the defense in the Maryland action. United States Time has taken neither of these steps.

Hamilton has also instituted actions in Canada and West Germany against United States Time's wholly-owned Canadian and German subsidiaries charging infringement of three Canadian patents and three corresponding German patent applications. No decisions have as yet been rendered in these actions.

Hamilton clearly enjoys the right as the holder of United States patents, to institute suit against a retailer offering for sale a device which allegedly infringes those patents. Moreover, since Hamilton's suit was commenced prior to United States Time's declaratory judgment action, and since Judge Timbers could properly find that no injustice will be done to United States Time by the continuation of the Maryland action and that Hamilton is not harassing United States Time's customers, it was well within Judge Timbers' discretion to deny United States Time's motion for a preliminary restraining order. *Joseph Bancroft & Sons Co.* v. *Spunize Co. of America*, 268 F. 2d 522 (2 Cir. 1959); *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U.S. 180 (1952); *Sundstrand Corp.* v. *American Brake Shoe Co.*, 315 F. 2d 273 (7 Cir. 1963).

The order of the district court is therefore affirmed.

Oral Ruling of District Court on Motion for Preliminary Restraining Order.

Before: Hon. William H. Timbers, Judge.

* * * * * *

The Court: Frankly, I have made up my mind in this. I might just as well rule now. It would take longer to write a learned memorandum, but I take it the time may be important.

I am going to deny this motion for preliminary injunction by simply endorsing the denial in the margin of the motion. If either side wishes to submit proposed findings of fact, conclusions of law, this being, in effect, a denial of an injunction, being appealable, I will be glad to grant you any time—any amount of time you would want. I would suggest ten days. Today is the 16th, and unless I hear to the contrary, I will assume that if either side wishes to submit proposed findings of fact and conclusions of law, they will be submitted no later than 4:00 P. M. on Friday, July 26.

Basis of my ruling, in a nutshell, is the Bancroft case. I could expand on that, but I feel that I am either bound by it or it stakes out the boundary lines for the exercise of the Court's discretion, in which I think I should keep.

* * * * * *

Mr. Hoxie: Would it be in order, your Honor, to submit, as a conclusion of law, that you feel bound by that decision?

The Court: I will leave it just as I put it, that I feel either bound by the decision in the Bancroft—Joseph Bancroft and Sons action, 268 F. 2nd 522, Second Circuit decision, 1959, or that the boundary lines for the exercise of the Court's discretion in a situation of this sort is staked out in that case, and the Court believes its exercise of discretion is within the boundary defined in that case.

* * * * * *

Order on Petition for Rehearing of Plaintiff's Motion for Preliminary Restraining Order.

This Court on July 16, 1963, after hearing, having denied plaintiff's motion for a preliminary restraining order and having directed that proposed findings of fact and conclusions of law, if any, be filed not later than July 26, 1963; and proposed findings of fact and conclusions of law having been submitted by counsel for the respective parties; and

Plaintiff having filed a petition for rehearing of plaintiff's motion for a preliminary restraining order, and defendant having filed a memorandum in opposition to said petition for rehearing; and

The Court having considered said petition for rehearing, the said memorandum in opposition thereto and proposed findings of fact and conclusions of law submitted by the respective parties; and

The Court being of the opinion that the said petition for rehearing should be denied and that defendant's proposed findings of fact and conclusions of law should be adopted by the Court; it is

ORDERED that plaintiff's petition for rehearing of plaintiff's motion for a preliminary restraining order be, and the same hereby is, denied; and it is further

ORDERED that defendant's proposed findings of fact and conclusions of law, filed herein July 26, 1963, be, and the same hereby are, adopted as the findings of fact and conclusions of law by the Court on the said motion for a preliminary restraining order.

Dated at New Haven, Connecticut, this 4th day of September, 1963.

/s/ WILLIAM H. TIMBERS
William H. Timbers
United States District Judge

Defendant's Proposed Findings of Fact and Conclusions of Law (adopted below).

Plaintiff having moved for a preliminary restraining order, and the Court, having considered the parties' statement of agreed facts and the affidavits submitted in support of said motion and having heard oral argument thereon, finds the facts and states its conclusions of law as follows:

Findings of Fact

1. Plaintiff, U. S. Time Corporation ("U. S. Time"), is a Connecticut corporation, having its principal administrative offices in Middlebury, Connecticut, where it also has a manufacturing plant, and its principal sales offices in New York City, New York. U. S. Time is principally engaged in the manufacture of timepieces, including those sold under its Timex brand. Since 1961, U. S. Time has been importing and selling in the United States Timex electric watches made in the plant of its wholly-owned German subsidiary. (Complaint, par. 2; Statement par. 1.)

2. Defendant, Hamilton Watch Company ("Hamilton") is a Pennsylvania corporation having its principal offices and its manufacturing facilities in Lancaster, Pennsylvania. Hamilton also maintains a sales office in New York City, New York. Hamilton is engaged principally in the manufacture of timepieces sold under the Hamilton brand, including electric watches. Since 1957, Hamilton has been manufacturing in its plant in Lancaster, Pennsylvania, and selling throughout the United States, electric watches. (Complaint, par. 2; Statement, par. 2.)

3. Hamilton is the owner of record of United States Patent Nos. 2,888,797, 2,954,664 and 2,972,745, all of which pertain to features of an electric wrist watch. (Complaint, par. 4.)

Defendant's Proposed Findings of Fact and Conclusions of Law.

4. On January 25, 1961, Hamilton advised U. S. Time, by letter that the "manufacture, use or sale of this (Timex electric) watch infringes our Patent Nos. 2,888,797 and 2,954,664, as well as some of the numerous applications which we have pending." The letter also stated that Hamilton had "corresponding patent coverage in most of the principal countries of the world." Patent No. 2,972,745 issued to Hamilton less than one month from the date of this notice of infringement. (Complaint, par. 4 and 5(a); Statement, par. 3.)

5. Thereafter, in 1961 and 1962, there were several meetings in New York and Lancaster between officers and or counsel of the respective parties concerning the alleged infringement by U. S. Time of Hamilton's United States patents relating to the electric watch and to Hamilton's corresponding patents and applications in other countries, including Canada (where U. S. Time has a wholly-owned subsidiary and was selling or proposing to sell the Timex electric watch) and West Germany (where U. S. Time, through another wholly-owned subsidiary, manufactures said watches). (Statement, par. 4(a) and 5.)

6. In these meetings, Hamilton stated that if there were no resolution of the controversy by license agreement, it intended to bring suit for infringement and to pursue its legal remedies in the United States and in several foreign countries. The meetings produced no agreement or resolution of the controversy with respect to any of these patents. The last such meeting was held on October 16, 1962. (Statement, par. 4(a) and 6.)

7. On or about April 17, 1963, Hamilton commenced a civil action, No. 14586, in the United States District Court for the District of Maryland against The Read Drug and

Chemical Company ("Read's") of Baltimore, charging Read's with infringement of Hamilton's three electric watch patents. Read's operates a chain of some 65 retail stores in the Baltimore area. With annual sales of approximately $48,000,000, Read's is one of the largest retailers, if not the largest retailer, in that area engaged in the sale of Timex watches. During the period January 1, 1962 through May 15, 1963, U. S. Time sold 290 Timex electric watches to Read's, which is one of approximately 1,500 direct retailing accounts to which U. S. Time has sold such watches. (Complaint, par. 5(c); Statement, par. 7 and 8.)

8. Read's answer to Hamilton's complaint was filed on May 27, 1963 and the case is now at issue. Hamilton has not commenced any action on any of said U. S. patents against U. S. Time and has neither commenced nor threatened any action on any of said patents against any customer of U. S. Time other than Read's. (Statement, par. 7.)

9. On or about April 26, 1963, Hamilton commenced an action against Timex of Canada, Ltd., a wholly-owned subsidiary of U. S. Time, on three Canadian patents corresponding to Hamilton's three United States patents. (Statement, par. 11.)

10. On or about April 24, 1963, Hamilton commenced an action at Mannheim in the Republic of West Germany against U. S. Time and its wholly-owned West German subsidiary on two German patents dealing with features alleged to be found in the Timex electric watch. (Statement, par. 12.)

11. The complaint herein was filed on April 29, 1963. Service upon Hamilton was effected by serving the Secretary of State for the State of Connecticut. Plaintiff U. S.

Defendant's Proposed Findings of Fact and Conclusions of Law.

Time seeks in this action a declaratory judgment that each of Hamilton's aforesaid United States patents is invalid and not infringed by any act of U. S. Time. U. S. Time also seeks an injunction and, by its present motion, a preliminiary restraining order enjoining Hamilton from prosecuting its action in the District Court in Maryland against Read's and from commencing any like action against any other U. S. Time customer. U. S. Time has not sought to intervene in the suit against Read's, and Read's has not sought to intervene in this suit against Hamilton. Read's has agreed to accept and abide by any final judgment that may be entered in this action. (Complaint, Motion for Preliminiary Restraining Order; Statement, par. 13 and 9(b); Murray Affidavit, par. 3.)

12. Hamilton's main offices, manufacturing and research facilities, and the locale of its prospective witnesses in this and the Maryland action is Lancaster, Pennsylvania. Hamilton's general counsel and its patent counsel are both located in Washington, D. C. U. S. Time's patent counsel has his offices in New York City. Baltimore, Maryland is situated intermediate Lancaster and Washington and is easily and conveniently reached by automobile from either city. (Statement, par. 2, 4(b) and (c), 9(a).)

CONCLUSIONS OF LAW

1. The complaint herein sets forth a justiciable controversy between the parties. The Court has jurisdiction of this action under 28 U.S.C. §§ 1338(a) and 2201.

2. Hamilton, as patentee, has the right under the patent laws to bring an action for infringement of its patents against anyone who uses or sells the allegedly infringing product. 35 U.S.C. § 271(a); *Bechik Products, Inc.* v. *Flexi-*

ble Products, Inc., 225 F. 2d 603, 106 USPQ 340 (2d Cir., 1955); *Triangle Conduit & Cable Co., Inc.* v. *National Electric Products Corp.*, 138 F. 2d 45, 59 USPQ 89 (3d Cir., 1943), cert. den., 320 U. S. 784 (1943); *American Chemical Paint Co.* v. *Thompson Chemical Corp.*, 244 F. 2d 64, 113 USPQ 103 (9th Cir., 1957).

3. Hamilton's suit against Read's in the United States District Court for the District of Maryland, having been instituted prior to the present action for a declaratory judgment and involving, as it does, different parties, should be permitted to proceed. *Cresta Blanca Wine Co., Inc.* v. *Eastern Wine Corp.*, 143 F. 2d 1012, 62 USPQ 224 (2d Cir. 1944); *Joseph Bancroft & Sons Co.* v. *Spanize Co. of America*, 268 F. 2d 522, 122 USPQ 110 (2d Cir. 1959); *Yale & Towne Mfg. Co.* v. *Manning Maxwell & Moore, Inc.*, 91 F. Supp. 106 (S.D.N.Y. 1950).

4. No manifest wrong or injustice to plaintiff will result from continuation of the Maryland litigation in which U. S. Time, if it sees fit to do so, may intervene. *Joseph Bancroft & Sons Co.* v. *Spanize Co. of America, supra.* Cf. *Kerotest Mfg. Co.* v. *C-O-Two Fire Extinguisher Co.*, 342 U. S. 182, 72 S. Ct. 219, 96 L. Ed. 200 (1952).

5. Exercising its discretion upon the facts found herein and within the criteria established by the decisions cited above, the Court is of the opinion that plaintiff's motion for a preliminary restraining order should be and it is hereby denied.

6. Plaintiff, having been advised of the Court's ruling as stated above, has filed a petition for rehearing. The Court has carefully considered said petition and concludes that the petition should be and it is hereby denied.

Excerpts from Statement of Agreed Facts.

It is hereby stipulated by and between the parties hereto, through their respective counsel, subject to the right of either party to present supplementing facts not inconsistent herewith, as follows:

* * * * * * *

7. On or about April 17, 1963, Hamilton commenced a civil action No. 14586 in the District of Maryland against The Read Drug and Chemical Company ("Read's") of Baltimore, Maryland, charging it with infringement of said three U. S. patents of Hamilton, Nos. 2,888,797; 2,954,664; and 2,972,745, by reason of Read's sale of electric watches. * * * Hamilton knew that the accused watch sold by Read's was made by U. S. Time and that Read's was a customer of U. S. Time. Hamilton also knew that the same watch had been and was being sold by retailers throughout the United States including retailers located in the Eastern District of Pennsylvania in which Lancaster is located. * * *

8. * * * Prior to the commencement of that action against Read's, and except for such public notice of the patent as may have been given by patent marking on its watches, Hamilton had not given Read's any notice of infringement and had not had any meetings or discussions with Read's about the Hamilton patents or about the controversy between Hamilton and U. S. Time with respect to the Hamilton patents and the Timex electric watch.

9. (a) The said action against Read's was commenced after Hamilton had decided to attempt to enforce its patents against the sale of Timex watches in this country and in certain foreign countries. Hamilton states that its decision to do that by an action against a U. S. retailer of substantial financial resources, in addition to an action directly against U. S. Time in Germany, the site of manu-

facture, and in further addition to an action against a wholly-owned subsidiary in Canada, was made as the result of a determination that relief should be sought in a forum convenient to both Hamilton and its patent and retained general counsel, and that the District of Maryland, and particularly Baltimore, provided a convenient and expeditious forum for an action against a retailer. * * * The action against the Read Drug Company was not commenced in Maryland because of a wish or need to bring an action against Read in particular, Read not being a retailer whose sales had any effect materially different from that of the sales of the accused watch by other retailers of the same substantial size in the United States; but, Hamilton further states, was brought against Read in particular as the largest and most financially responsible retailer available in Baltimore, an order to have an action against a financially substantial retailer in the convenient Baltimore forum; and was brought with the knowledge that U.S. Time could intervene or take over the defense of the action against its customer in the selected forum.

(b) U. S. Time has neither intervened in, nor taken over the defense of the Read Drug Company, in the Baltimore action.